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NOMINATION OF RICHARD H. HUGHES

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

THE NOMINATION OF RICHARD H. HUGHES, TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE EXPORT-IMPORT BANK OF THE UNITED STATES FOR A TERM EXPIRING JANUARY 20, 1987

MARCH 13, 1985

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NOMINATION OF RICHARD H. HUGHES

WEDNESDAY, MARCH 13, 1985

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The committee met at 2 p.m., in room SD-538, Dirksen Senate Office Building, Senator Jake Garn (chairman of the committee) presiding.

Present: Senators Garn, Heinz, Proxmire, Cranston, Dodd, Dixon, and Sasser.

Also present: Senator Boren.

OPENING REMARKS OF CHAIRMAN GARN

The CHAIRMAN. The committee will come to order. We are convened today for the purpose of holding a nomination hearing on Mr. Richard H. Hughes, to be a member of the Board of Directors of the Export-Import Bank of the United States. And we are certainly happy to have our distinguished colleague here before us to introduce Mr. Hughes.

Senator Boren, we would be happy to hear from you at this time.

OPENING STATEMENT OF SENATOR BOREN

Senator BOREN. Thank you very much, Mr. Chairman and members of the committee.

Let me say that my colleague from Oklahoma, Senator Don Nickles, would also be with me today if he were in the city. He asked me to explain to the committee he is in Geneva with our Senate delegation for the opening of the arms control talks.

It's a real privilege for me to be able to present today, Mr. Richard Hughes, of Tulsa, OK, who has been nominated by the President to be a member of the Board of Directors of the Export-Import Bank of the United States.

I think that as the members of the committee can see from his résumé, Mr. Hughes has an outstanding background in small business. He has been the president of the Equidyne Industries, Inc., of Tulsa; chairman of the Pepsi Cola Bottling Co.; he's been chairman and CEO of Florafax, International, which is a wholesale floral operation; and also of Hinderliter Industries. He is presently chairman and CEO of Hinderliter Industries of Tulsa, OK.

He has quite an educational background and with due bias I must say, I think his bachelor's degree from Yale University is a very strong part of that. He did go on to get an MBA, I might add

as a footnote, from Harvard as well. We'll forgive him for that, so he has an excellent educational background.

He has served in many areas of civic responsibility in our State and in his home community. Tulsa recognized him and Oklahoma Jaycees recognized him with their Outstanding Man of the Year Award back in 1963. He helped, again, the Junior Achievement Program in Tulsa and was made honorary chairman of the board of Junior Achievement after implementing the first club in Tulsa in 1966.

He has also been the international president of the YPO, the Young President's Organization which is well known to all of us in the Senate, as an international organization of young CEO's of major business enterprises, fast growing business enterprises—a very distinguished organization of young business leaders around the world.

I would particularly point out also that in addition to his own broad experience in small business and his civic involvement, he also has served as a member of the Interstate Oil Compact Commission, and importantly—I think in terms of prior experience for the position for which he has been nominated by the President—he has also served as a member of the board of the Federal Home Loan Bank of Topeka, which serves us on a regional basis—serves the State of Oklahoma and surrounding States as well.

So it is a privilege for me to be able to be here today and present this nominee to the members of the committee. I have known him for a long time. He is a very public spirited citizen, a very able citizen of our State, and it's a privilege for me to be able to introduce him to you today, Mr. Chairman.

The CHAIRMAN. Thank you, Senator. We're honored you would take the time to be here. You're always welcome at the Senate Banking Committee and we thank you and we understand your schedule. You can stay as long as you want or as short.

Senator BOREN. Thank you. I will stay a little while, Mr. Chairman, and then I may have to excuse myself. I appreciate your allowing me to introduce this nominee.

The CHAIRMAN. Senator Proxmire, do you have anything you wish to say at the outset?

Senator PROXMIRE. Not at the outset, Mr. Chairman. I do have a statement on the trade deficit and the Export-Import Bank's relationship to it. I would like to have that statement included in the record.

The CHAIRMAN. Certainly, it will be. Without objection.

STATEMENT OF SENATOR PROXMIRE

Senator PROXMIRE. America's huge and growing trade deficit is a matter of serious concern to our country and to the Congress. I share those concerns—but do not believe our massive trade deficit is caused by a lack of export subsidies.

Yesterday I participated in a hearing on our trade deficit in the Joint Economic Committee. At that hearing Mr. Roger Brinner, chief economist for Data Resources, Inc., and Mr. Edward G. Jefferson, chairman and chief executive officer for E.I. du Pont de Nemours & Co., both agreed that among all the factors causing our

huge trade deficit, the high level of the dollar is the chief culprit. Both called for an attack on the budget deficit as the best way to improve the ability of our businesses to compete internationally.

We on this committee have heard similar advice before from the Chairman of the Federal Reserve Board and the President's own chief economic adviser—among others.

We should not try to deal with our trade problem by putting more and more money into export subsidies. That will only exacerbate our budget deficit which is the prime reason for our trade deficit.

Getting the budget deficit under control will not be easy, as we are finding out on this committee in relation to the President's proposal to discontinue the Eximbank's Direct Loan Program in favor of an equally effective interest buydown program. The small number of large corporations that consume most of the Bank's direct loan authority, which incidentally funds less than 2 percent of our exports, want to hold on to their subsidy in its present form. They fear the buydown program because it makes explicit the subsidy inherent in the Bank's direct loan program—from which just a few firms benefit.

As I have said before, I can't think of anything more contradictory than for our Government to take money from our taxpayers to subsidize purchases by consumers in foreign lands. I support the President's buy down proposal, however, because it helps clarify that is exactly what the Export-Import Bank's Direct Loan Program does.

The CHAIRMAN. Thank you, Senator Proxmire.

Mr. Hughes, would you like to proceed with any opening statement you might have?

TESTIMONY OF RICHARD H. HUGHES

Mr. HUGHES. Mr. Chairman, and members of the committee, I appreciate the opportunity of presenting my qualifications to serve as a member of the Board of the Export-Import Bank to this distinguished committee. I appreciate Senator Boren's kind remarks and I appreciate him being here to introduce me.

I personally believe that international economic issues are vital to the future of the United States and that our declining U.S. exports coupled with the imbalance of trade and capital accounts are really probably the second most critical economic issue facing this country today.

U.S. business, in my opinion, must now operate in a one-world economy. Whether we buy from, sell to, or compete with companies and countries, in my judgment it's in our own selfish best economic and political interest to help U.S. business be competitive in export trade.

I am honored with the Presidential nomination. I am humbled by the challenges facing the bank and I just appreciate the opportunity of responding to your questions and questions of the committee.

The CHAIRMAN. Thank you.

Before we start questions, I would simply note that we have got a remarkable good attendance at the committee today, considering

we are out of session. But maybe we should be out of session all the time so the Senators have more time to come to their committee meetings.

Mr. Hughes, may I have you stand and sworn before you respond to questions?

[Nominee sworn.]

The CHAIRMAN. Mr. Hughes, will you make every effort in your service with the Export-Import Bank not only to avoid conflicts of interest but to avoid even the appearance of any such conflict?

Mr. HUGHES. Yes, sir.

The CHAIRMAN. Do you agree to appear and testify before this committee and other duly constituted committees of Congress when requested to do so?

Mr. HUGHES. Yes, sir.

The CHAIRMAN. I understand that Hinderliter Industries, of which you are chief executive officer, will pay you for past service and a severance arrangement, beginning 1 month after the Senate confirmation and continuing for a total of 36 months at a monthly rate of $11,750, which you will additionally retain retirement benefits and pension and profitsharing benefits from Hinderliter Industries.

Do you see any potential conflict of interest in this arrangement?

Mr. HUGHES. No, sir; I don't, and if anything came up that was a conflict, I would abstain as a member of the Board.

The CHAIRMAN. Do you agree to excuse yourself from Export-Import consideration of any matter dealing with Hinderliter Industries, Equidyne Industries, Telex Corp., Beverage Products Corp., Trustee/Sierra Real Estate Equity Trust, or any other corporation in which you have an interest?

Mr. HUGHES. Yes, sir.

The CHAIRMAN. In schedule 4 of the statement which you have submitted to the committee concerning your nomination, you list three cases where there were civil or criminal investigations.

Have all of these cases been completely settled with no criminal liability?

Mr. HUGHES. Yes, sir.

The CHAIRMAN. Do you know of any other civil actions or criminal investigations which might be undertaken against you in the foreseeable future?

Mr. HUGHES. No, sir.

The CHAIRMAN. Mr. Hughes, U.S. exporters have been suffering increasingly from the use of mixed credits by their foreign competitors. Some estimates have put the figure at several billion dollars of export sales lost due to the inability of American exporters to match mixed credit competition where foreign aid moneys are used to greatly reduce the cost of direct credits.

We have been negotiating for several years to eliminate mixed credit, but our success in other aspects of credit negotiations has simply escaped us when dealing with the mixed credit issue. That, of course, is the one area where the Bank has been extremely reluctant to comply with the congressional mandate to offer competitive financing.

As a Director of the Bank, what policies will you advocate for more successful negotiations to eliminate mixed credit?

Mr. HUGHES. Mr. Chairman, as I said in my opening remarks, I really believe we have to do everything possible to make U.S. companies competitive in the export market. The United States is still the best market in the world, and if our companies do not go out and compete, we are going to abdicate that responsibility.

For me to answer this committee specifically, without getting into the detail of mixed credits and the procedures, I think would be inappropriate. I couldn't be a 2-day expert on the Bank's details of how they would do it.

The CHAIRMAN. But you do feel mixed credits are an unfair competitive advantage?

Mr. HUGHES. Absolutely, yes, sir.

The CHAIRMAN. In the beginning of every fiscal year, the Bank tells us that they are going to use all their lending authority. We approach the end of the fiscal year, however, and we learn the Bank will not be able to use all of its authority, that in fact it will fall far short of using its authority. That appears to be the case during this fiscal year.

Yet my office and the office of many of my colleagues are constantly receiving complaints from companies that have been unable to get Eximbank support for their export projects.

This is a longstanding problem with some of us. We have argued about the charter provisions and which comes first, to be self-sustaining or competitive. Some of us on this committee believe that the mandate is clearly to be competitive, strictly in light of the tremendously increasing trade deficits, and when we obviously have lost a lot of sales and a lot of jobs in this country due to predatory financing, some of us felt that Eximbank ought to do a better job.

We fought the same battle, interestingly enough, with two administrations, the Carter administration—and I will be very candid about it. When the Reagan administration came in, I thought they might be more sensitive to business and export sales, and they have been just as bad as the Carter administration in this area, and in seeking additional funds for the Eximbank, which we have failed to do.

But the thing I specifically refer to right now is that the last years we have not even obligated what has been authorized and approved by Congress, and that is going to happen again this year.

I don't expect you to be a 2-day expert, but don't you feel if Congress sets certain levels with the intent in mind of helping our businesses export and maintain jobs and reduce the balance of trade, that the Eximbank Board ought to at least go ahead and use those authorizations?

Mr. HUGHES. Yes, sir, I do. You have, as you know and the members of this committee know, a very complex situation in bidding export jobs because of the strength of the dollar. The Bank would have a difficult time guaranteeing that those companies would, in fact, get those export jobs.

But, and as Senator Boren said, I spent my business career in small business. For the some 13,000 midrange companies that make up 1 percent of our business, employ 19 percent of our people, and have 25 percent of the sales, the educational job and the ability to facilitate their opportunities in the export business is a real chal-

lenge, both in the education effort and in the outreach of making those programs available to them.

I do feel that one of the things I can hopefully bring to the Bank is some knowledge of the smaller businesses and some ability to be innovative in reaching those people and hopefully using the moneys mandated or given to the Eximbank by the Congress.

The CHAIRMAN. The Export-Import Bank Act of 1945 established the Bank as an independent agency of the Government, yet in the last few years, through, as I have said, two administrations, the Bank seems to be following very closely orders given to it from OMB, which has openly and historicaliy been opposed to the Bank and has rigorously sought to eliminate it despite the increasing trade deficits.

What do you feel the appropriate relationship is between OMB and an independent agency set up by Congress?

Mr. HUGHES. Well, I have seen the recent proposals by OMB and the administration, and I think the Bank is charged with the responsibility of making U.S. companies competitive in the export business. Therefore, conceptually I would support the program of the Bank, although I think there may be some mechanics within that program that would make more difficult the issues you previously raised, Mr. Chairman.

I don't think, from my limited experience, that as a member of the Board, unless I otherwise deem it possible, I would think that it was the prerogative of OMB to tell the Bank how to function.

The CHAIRMAN. What I am really driving at is, as a member of the Board, are you willing to stand up to OMB when you think they are wrong and say, this is an independent agency, this is my judgment, and rigorously support the independence of that Bank?

Mr. HUGHES. Yes, sir, without question.

The CHAIRMAN. Senator Proxmire

Senator PROXMIRE. Thank you, Mr. Chairman.

Mr. Hughes, first, I want to congratulate you on your superb educational background.

Mr. HUGHES. Thank you.

Senator PROXMIRE. Yale and Harvard Business School. That's John Heinz' background, and that's my background.

Senator HEINZ. Maybe the President made a mistake. [Laughter.]

Three people with that kind of background could rule this country well. I want to hear Senator Dodd say something.

Senator PROXMIRE. Mr. Hughes, I have reviewed your nomination papers. I find you don't have much practical experience in either banking nor international trade. You have some in the savings and loan field, but not in commercial banking or the international trade area.

Why do you think you're qualified to be on the Board of Directors of the Export-Import Bank?

Mr. HUGHES. Senator, I have had some experience. Our company presently does in excess of $10 million of export business. I also, in a little different vein, negotiated one of the early import contracts with the People's Republic of China, in 1978, of all things, in silk flowers.

I have served on two commercial bank boards although they were not involved in international finance, being, as you noted, a

member of the Federal Home Loan Bank of Topeka, which is a $4 billion bank.

So I feel comfortable with knowing the instruments of the banking institutions and having some practical experience in the export area.

On top of that, as Senator Boren said, I was international president of the Young Presidents Organization and traveled over 300,000 miles a year for 2 years, setting up the international operations of that organization and, consequently, I feel that I understand the international community.

I would have to learn a great deal about the international aspects of the Export-Import Bank, and I just have to go through that learning curve, but I do feel I am comfortable with the basic aspects of the Bank.

Senator PROXMIRE. You're a very successful businessman. Why do you want this position? Why have you decided to accept the position which will be obviously far less remunerative than you could be making on the outside?

Mr. HUGHES. Senator, I guess my wife asked me that question, too, and it's a very difficult one to answer. I guess the basic answer—and Senator Heinz asked me that same question—is that both my children are gone. I have a daughter and a granddaughter 6 months old in the Washington, DC, area, which gives us a little motivation possibly to come back here. But this country has been good to me and having been asked to serve by the President, I feel the responsibility to at least lend my talents and abilities, whatever they might be, to try to do something that I sincerely believe is very important.

As I said in my opening remarks, I think that educating and moving U.S. business into the export area in a competitive environment is an essential ingredient in our long-term economic best interests.

So I guess it's the opportunity to serve, understanding all the problems I will run into when I arrive.

Senator PROXMIRE. As you know, the Constitution gives us the responsibility to advise and consent to these nominations. And we take that very seriously. When there is any FBI report, we want to get hold of it and get into it and be sure we understand it thoroughly. We need the assistance of our staff in doing that.

Do you have any objection to members of this committee and the staff of this committee looking into the FBI reports affecting your nomination?

Mr. HUGHES. No, sir; I don't. And, as you know, the President made a recess appointment and I chose to be confirmed by this committee and the Senate rather than accepting that recess appointment, so I do take the advise and consent of the Senate very seriously, and I have no objection.

Senator PROXMIRE. Would you tell the White House personnel people you do not object?

Mr. HUGHES. Yes, sir.

Senator PROXMIRE. And then, at the end of this document, there's a list of court cases in which you have been involved. The Hibernia National Bank, the Professional Investors Life Insurance Co., and so forth.

Could the pleadings and other matters filed in those cases be made available?

Mr. HUGHES. Yes, sir.

Senator PROXMIRE. I presume your lawyers will do that for you.

Mr. Hughes, the President, in the fiscal year 1986 budget submission, proposes to eliminate the Export-Import Bank Loan Program. Instead, the budget proposes the Bank establish a new program to buy down interest rates and export loans made by private banks to minimum OECD consensus levels when necessary to counter subsidized foreign competition.

During our February 5 hearing on this proposal, Mr. Draper, who, as you know, is the Chairman of the Bank, stated that the new $130 million interest buydown program will actually provide as much support for exporters as $1.8 billion under the Bank's present Direct Loan Program.

This, he said, would represent $300 million increase over the actual amount of fixed rate financing authorized by the Bank in fiscal year 1984.

Do you support the President's proposal to eliminate the Bank's Direct Loan Program in favor of the proposed buydown?

Mr. HUGHES. Senator, I think that makes sense conceptually, and I would have to say, without getting into the details, as I said earlier, about the mechanics, I think there is a great deal of sense in the buydown program and in the elimination of the direct lending.

I can see that there can be some mechanical problems and I think, over time, there might have to be some adjustments in tuning of that program. But, yes, I do conceptually support it.

Senator PROXMIRE. Well, I appreciate that. I agree with that view. We have to do whatever we possibly can to set our massive budget deficit under control. The President's budget wants many people to sacrifice benefits including people with low income.

This Eximbank is an operation that has an effect on everybody because of the importance of our exports, but, at least in the first instance, it seems to favor some big corporations.

And, for that reason, it seems to me to be a mistake to make an exception from budget cuts for it.

During our February 5 hearing on the President's Interest Buydown Program, some Senators criticized it as being unilateral disarmament in the face of a strong trade subsidy financing program funded by our major trade competitors.

Now, I understand that France and Britain, which are alleged to have effective support subsidy programs, actually have Government agencies make up the difference to banks between the market rates of interest and the terms extended to exporters by banks, similar to the President's proposal.

Is that your understanding as well?

Mr. HUGHES. I really can't comment on that because I'm not really up to date on what the other countries are doing. I do understand that Japan and France do supplement their business communities, but I couldn't tell you how much.

Senator PROXMIRE. At any rate, it's your understanding that there's nothing inherent in an interest buydown approach that makes it inferior to the Bank's direct loan approach?

Mr. HUGHES. That's correct.

Senator PROXMIRE. For some time, I have been concerned about the Bank's deteriorating capital position. In 1982, the Bank lost $160 million; in 1983, it lost $247 million; this past year, it lost $343 million. The President's budget projects $395 million in losses next year and $460 million the year after.

Two years ago, I asked Vice Chairman Bohn whether he thought the Bank should be self-sustaining. He said, the Bank, to be credible, should be self-sustaining and said that the most probable case is that the Bank would be self-sustaining by 1988 or 1990.

I presume that prediction is no longer to be considered valid. Do you believe the Bank should be self-sustaining?

Mr. HUGHES. I think that's a very difficult question for me to answer, Senator. The charge of the Bank is to keep U.S. exports competitive, but with the strength of our dollar today and the interest rate differential in the buydowns, I would have to say to you, that if it met that charge it would find it very difficult to be self-sustaining. I think there may be some innovative ways to move it in that direction but I would have to get into the details of the operation of the Bank.

Senator PROXMIRE. That's an honest answer and it seems to me it puts us in a position whether we in the past have been able to go along with this thing—and many have, because they say it doesn't really cost the taxpayer anything—it's beginning to cost the taxpayer and cost him plenty. And, for that reason, it seems to me we have to view it somewhat differently.

Mr. HUGHES. I think that's correct.

Senator PROXMIRE. I see the logic in what you say; otherwise we're giving up. On the other hand, it's a terrific burden, getting worse every year.

Two years ago, when Mr. Bohn's nomination to the Bank Board was before us, I asked if he would see to it that the adverse impact regulations, required by section 1911 of the Bank's charter would be put into place as soon as possible. He said he would but that has not yet been done.

Now, in order to enable the Bank to better fulfill its section 1911 statutory obligation to consider the adverse impact of its individual transactions, wouldn't it make sense for the Bank to adopt regulations giving the public notice of its proposed transactions before loan commitments are made?

Mr. HUGHES. Yes, sir; I believe it would. It's one of the areas in which I do have a little bit of familiarity with the Bank's activity. Rather than adverse, I would like to call it an economic impact study, but I think they do need to close the loop and understand the total economic impact on U.S. industry and U.S. employment. And part of that would be to bring in the industries involved and let them be heard.

Senator PROXMIRE. So, if confirmed, would you look into the Bank's section 1911 charter requirement and let us know what the Bank will do to carry out its duties under that provision?

Mr. HUGHES. Yes, sir.

Senator PROXMIRE. Thank you, Mr. Chairman.

Senator DIXON. Mr. Chairman, could I interrupt to ask leave if my friend from Pennsylvania would permit me to put a statement in the record?

Mr. CHAIRMAN. Be happy to include it.

STATEMENT OF SENATOR DIXON

I am pleased to be here this afternoon to have the opportunity to listen to Richard H. Hughes, who is nominated to a position on the Board of Directors of the Export-Import Bank of the United States.

Senator DIXON. I am pleaded to be here this afternoon to have the opportunity to listen to Richard H. Hughes, who is nominated to a position on the Board of Directors of the Export-Import Bank of the United States.

I want to take this opportunity to reiterate my strong support for the Bank. It has been a vital tool in helping to promote American exports.

In the current international climate, the Bank is not a luxury; rather, it is a necessity. Our foreign competitors are increasingly tying aid and commercial sales, creating a form of subsidized financing with which we must be able to compete.

A strong, vigorous, and fully competitive Eximbank has enabled us to reduce the international use of subsidized credit in some areas. However, as the increasing use of mixed credits indicates, we must continue to respond vigorously to attempts by our competition to win sales not because of better or cheaper products, but because of Government-sponsored subsidized credit.

We all want a free and unfettered international marketplace. The Eximbank is a tool that will help us achieve the international agreements necessary to finally eliminate subsidized credit in that marketplace.

I look forward to hearing from Mr. Hughes, therefore, and would hope that he will demonstrate to the committee his understanding of the Export-Import Bank and the important purposes it serves.

OPENING REMARKS OF SENATOR HEINZ

Senator HEINZ. Mr. Chairman, first, I want to associate myself with Senator Proxmire on shamelessly saying something complimentary about anybody who has the good sense to attend both Yale University and Harvard Business School.

People say that those of us in Congress should be more modest; indeed, that we have much to be modest about. But we make no apologies on this score.

Mr. Hughes, I have reviewed more than just your educational record. You have a lot of experience. You have been very active in business; you have been a bank user perhaps more than you have been a banker.

In your official statement to the committee specifying your qualifications, you say that your company, Hinderliter Industries, uses Eximbank's FCIA programs. I had my staff, just because we like to be careful, check with the Eximbank and at least according to their records, they have no record of any use of the Bank by Hinderliter Industries except for a $1.8 million short-term insurance authorization, but which according to their records has never been used or drawn upon.

Could you explain your statement that you made to the committee in light of this information?

Mr. HUGHES. Yes, sir.

We basically use the insurance coverage on the receivables of our company in the overseas market, and for credit backup. I believe the $1.8 million of insurance coverage requested is for a contract

bid in Equador where we were bidding on gas compressor businesses, which has not been used at this time.

Senator HEINZ. Have you ever utilized anything other than the short-term insurance authorization I just described?

Mr. HUGHES. No, sir.

Senator HEINZ. So that represents the only transaction you ever had with the Eximbank; is that right?

Mr. HUGHES. That's correct.

Senator HEINZ. And, as I understand it, while you received an authorized or at least a commitment for that $1.8 million, in fact, you have never actually had to assign that authorization to any specific thing that needed insuring. Would that be an appropriate interpretation of what you just said?

Mr. HUGHES. I believe, if that's the one I'm talking about, that's correct.

Senator HEINZ. All right. Thank you very much. That's my only question.

The CHAIRMAN. Senator Cranston.

OPENING REMARKS OF SENATOR CRANSTON

Senator CRANSTON. Welcome to this committee.

Mr. HUGHES. Thank you, sir.

Senator CRANSTON. I look forward to studying all of your views on the Eximbank role in assisting companies to be competitive. I'm a strong supporter of the Export-Import Bank. I have noted therefore with some concern the proposal from the administration to eliminate the direct loan authority and to substitute a program which would subsidize interest rates on export loans by private banks to exporters when that is necessary to counter subsidized foreign competition.

I am, at this point, rather skeptical of how that would really work. If that program has been designed as a cosmetic gesture to reduce the deficit, it's counterproductive to serious efforts to come to grips with a problem that is facing crisis portions now, and if in the long run the program results in higher costs to the Government, I think it's a serious mistake. We must consider the impact of this on companies that are relying on Eximbank financing to win contracts and I'd be interested in your views on all of that.

Mr. HUGHES. Senator, as I said, I think conceptually it makes sense. I have some of the concern you have in the mechanics and particularly two or three areas. I think the availability is going to be there but I do not have indepth knowledge enough to say that's the case. But there is certainly money out there.

But in the smaller areas, for small business and the $500,000 loan at a fixed rate over a period, I'm not sure that you're going to be able to transfer that easily and efficiently or with the same ease as direct lending, and I would just have to get into that. But it would be a caveat that I think would have to be looked at. I think there certainly are some problems and some innovations relating to the fixed-rate interest that the Bank has to deal with.

The commercial banking industry today cannot match their assets and liabilities easily by going 5 years on a fixed-rate basis, and there may have to be some innovation again—interest rate

swaps or something in that category. With some magnitude of loans, you're going to transfer the capital asset ratio of commercial banks to the point where availability may be affected. So I think there are some things that really have to be looked into.

If, in fact, conceptually, the charter of the Bank is fulfilled by that program, by allowing a bank to have competitive rates to support U.S. exports, then I think conceptually it makes sense.

I will say this to the committee, without getting into depth. There is no question in my mind it will be more costly to the Federal Government. I can't tell you by what amount, but in just thinking through the transaction, there will be more cost to the Federal Government.

Senator CRANSTON. Thank you very much. That's all I have at this point.

The CHAIRMAN. Senator Dodd.

OPENING REMARKS OF SENATOR DODD

Senator DODD. Thank you, Mr. Chairman.

Mr. Hughes, congratulations on your nomination. You couldn't be sitting next to a finer Member of the Senate, Senator Boren, my colleague.

Now, my colleague from Pennsylvania and my colleague from Wisconsin are deeply interested in your educational background. I looked down your membership and the offices you have held and I want to know about the Royal Order of Jesters——

[Laughter.]

Senator DODD [continuing]. And whether or not that was actually the telling membership that brought the President to nominate you.

I also note you supported an awful lot of good people politically. I won't go down the long list, but it's a nice list. It certainly is good to see that someone recognizes the quality of people who belong to my political party.

I am delighted that some of your background supports some of my interests over the years. I happen to support the Export-Import Bank. It's got it's flaws and problems. One of the shortcomings in the past has been a lack of involvement and support for the small business community and yet we have so much to offer.

In fact, I happened to spend a month or a little less than a month in China, and they are tremendously interested in exports—high technology exports, particularly from the United States—and I think, like you, that a tremendous amount of the innovations occurring in these areas occurs at the small business level.

To the extent that we can promote greater involvement by our small business community in the export market, I think it accrues to the benefit of this country and to a tremendous degree, it's really something we've got to pursue more aggressively and it's a comfort to me to know that someone of your background, with that kind of involvement, is going on the Bank and I would hope—I presume you will—maintain a strong interest in that community and see to it that they can participate to a greater extent.

You know the numbers of a large proportion of the 500 corporations that have taken advantage—and I think to our benefit—of

the Export-Import Bank. But I would like to see those percentages change a little bit and hope you might pursue that.

Also, I appreciate your answer on the Direct Loan Program, particularly if you take a good hard look at it. I, myself, have some questions about it. I was somewhat upset. The administration seemed to take the position rather emphatically on this particular issue in light, particularly, of the President's State of the Union Address of a year or two ago, where he went out of his way to endorse the Export-Import Bank, and its benefit to this country economically. And then 18 months later we had the administration sitting at the very table you're at calling for a significant change. In fact, it is interpreted by some as moving away from that kind of support for the Bank.

There are financial issues, obviously, economic questions, and also some very important political symbols associated with our commitment to supporting American industry overseas. And, no doubt the Japanese and others will be watching very carefully the actions that we take in this regard. So, I would hope you would give it a good, hard look and not go into it with a committed viewpoint.

We, look forward to hearing from you your views on the Direct Loan Program as soon as you are able to formulate them specifically. It's going to be a major issue for us and I think your background and expertise will contribute significantly to that debate.

So, I really don't have any questions for you other than those two comments except, once again, to congratulate you on the nomination and at some point maybe you will give us a rendition of what the Royal Order of Jesters does.

Mr. HUGHES. Yes, sir.

Senator DODD. Thank you very much.

Mr. HUGHES. Thank you, sir.

The CHAIRMAN. Senator Sasser, your timing is impeccable. It is your turn.

Senator SASSER. Well, thank you, Mr. Chairman. Can I be permitted just one moment here to gather my thoughts?

Senator PROXMIRE. Could I ask a question while he is doing that?

Mr. Hughes, one of my criticisms of the Export-Import Bank—I don't join in the love-in everybody has with the Export-Import Bank—is that a small number of very large corporations get about 90 percent of the Bank's support and they do only about 2 percent of our exports.

That concerns me very much because it is getting to be a very expensive program.

What do you feel you can do about that?

Mr. HUGHES. Senator, that is a critical issue. As Senator Dodd said, the outreach, in my opinion, should try to get to the small businesses, what I call the core businesses, that can and will export.

Senator PROXMIRE. I am not only concerned about small business. I am concerned about them very much, but I am also concerned about the fact that a very tiny percentage of our exports get most of the Bank's support. It doesn't really do a comprehensive job of covering exports generally.

Mr. HUGHES. I understand that, and I think the Congress through the Export Trading Act and other acts has given some tools out there. There are two ways to do that, in my opinion.

One, increase the percentage you outlined of export activities supported by the Bank. I think that has to be with a broader base. It has got an enormous educational impact, and it is going to have to facilitate some of the bureaucracy because the smaller business doesn't have either the staff or the ability to get the people who know the mechanics and/or the patience to wait 6 months or 9 months to get the support of the Bank.

Now, as to how you accomplish that, I am just going to have to wait until I get there and see what is available within the administration and what the outputs are that can be done to try to broaden that base and get more participation of what I call the core business of the United States.

The CHAIRMAN. Before we go to Senator Sasser, I have to put my standard rebuttal into what Senator Proxmire has said. We have been doing this for years, but we need to keep them together in the record.

It is true that there is only a small number of large businesses that use it, but Boeing is the most specific example of that. Boeing, in the sale of aircraft, has probably used Eximbank as much as any other business in this country. But Boeing doesn't build airplanes. They assemble airplanes, and Boeing has more than 20,000 subcontractors.

So Bill is correct in his facts, but we need to extend them a little bit, that there are a lot of small businesses who supply these big businesses, who therefore, at least indirectly, participate and are helped by Eximbank.

Now, Bill is not surprised I said that, and now we will turn to Senator Sasser.

OPENING REMARKS OF SENATOR SASSER

Senator SASSER. Thank you, Mr. Chairman.

I apologize for being late to the hearing, Mr. Chairman. The Budget Committee is meeting in an interminable session, it appears, and has been for the past week and a half.

Mr. Hughes, I congratulate you for the company you keep there. You are in awfully good company today with Senator Boren, the senior Senator of Oklahoma.

Let me just ask a couple of questions, if I may, and then I may have some more to submit for the record.

We have debated in the Budget Committee this week—and I suspect will debate it again before we conclude with the budget—the extent to which the Government should subsidize the Export-Import Bank.

I happen to believe that the Export-Import Bank is one of the most effective tools that we have in negotiating worldwide reductions in export subsidies. That is not to say that the Export-Import Bank has to lay out money to encourage other governments not to subsidize a particular product.

If the Export-Import Bank, in my judgment, has the leverage or the material resources available in the war chest, so to speak, our

trade negotiators can say to other countries, now, look, if you want to get in the business of subsidizing, we can do it, too, and we have got a war chest available in the Export-Import Bank. This, in my judgment, would be effective leverage to try to induce an open international marketplace.

You don't actually have to have an outlay of funds. Just the fact that they are available many times will discourage this competition at an international level by way of subsidies.

I would be interested, Mr. Hughes, in your views on the concept of a war chest held by the Export-Import Bank as an instrument of trade policy of the United States; that is, something that is there and available, almost like the deterrent we talk about in the military field. It may never have to be used, but we keep it there so perhaps we don't have to use it.

Do you have an opinion on that?

Mr. HUGHES. Senator, I would say to you that I hear what you are saying, and I agree with your concept and that the world market understands that kind of power.

So, I would have to say to you, in my judgment—without again getting into the details—the $1,800 million would not be a sufficient war chest in the world economy to result in the power that you are talking about.

And I think, second, you would have to be prepared to use it in the economic war.

I think ex-Senator Tsongas submitted to the committee a cost of capital study done by Dr. Hatsopoulos, which indicated that one of the problems with the United States in the export area, as well as in the competitive area internationally, is the cost of capital.

You would have to keep exporters in a competitive environment. It would be a good tool, but I would suggest, the little bit I know today, that the present $1,800 million would not be sufficient to accomplish your objective.

Senator SASSER. Well, I would say to you, Mr. Hughes, that I would agree with you on that score, and I think we ought to have more available.

Edward Jefferson, the chairman and chief executive officer of Du Pont, testified yesterday in the Joint Economic Committee that this country's high technology sector had a $27 billion trade surplus in 1980. But we have seen that margin slip to just a $5 billion trade surplus in high technology by last year.

Clearly, our country no longer enjoys unchallenged world leadership in the development and manufacture of high-tech goods that we did a decade ago.

Our manufacturers must have access to fair, competitive international markets. We keep saying that, but I am afraid we don't do everything we should do to make that a reality.

To what extent—or do you have any opinion now as to the extent to which foreign competition is being subsidized by foreign governments?

Mr. HUGHES. I couldn't tell you specifically, but I do know that certainly Japan and the French, for example, certainly subsidize their exports.

And again in Dr. Hatsopoulos' study, in which he studies the Japanese support, I personally think that—and this is part of my

ego maybe from my educational background—that the United States can compete in that area if they can really get close to the level playing field in economics, and I think that is the charge of the Bank, to try to get them as competitive as possible in that area.

I was in Thailand just recently, and Senator Dodd commented on China or made a comment that China looks like a good market right now, but they will also be a major competitor 20 years from now as we build them up.

I think that all of the international companies want to move here, and certainly they are getting support from their government.

Senator SASSER. Well, this is the most lucrative market in the world, I suppose, to operate in here in the United States.

Well, to what extent should the Export-Import Bank be available to match foreign export subsidies, in your judgment, Mr. Hughes?

Mr. HUGHES. Well, as I understand their charge, their charge is to make them competitive on a level playing field or equal basis, and I believe that is the charge.

I think if you give the American businesses the same tools that our foreign companies have we will win that economic battle.

Senator SASSER. Thank you, Mr. Hughes.

Thank you, Mr. Chairman. I may have additional questions to submit for the record.

The CHAIRMAN. Senator Proxmire, do you have any additional questions?

Senator PROXMIRE. No.

The CHAIRMAN. I do expect there will be some additional questions from some of our colleagues who are not able to be here, for your response in writing, but we thank you very much for your direct response to our questions.

Mr. HUGHES. Thank you, Senator. My pleasure.

The CHAIRMAN. The committee is adjourned.

[Whereupon, at 2:45 p.m., the committee was adjourned, subject to the call of the Chair.]

[Response to written questions and a biographical sketch of the nominee follow:]

RESPONSE TO WRITTEN QUESTIONS OF SENATOR HEINZ

FROM

RICHARD H. HUGHES

Q. (1) Do you think the Bank has been living up to the aggressive mandate which Congress wrote for it in 1983?

A. (1) It is impossible for me to answer the question in detail because I have not had the opportunity to review individual cases, or study the impact of the strength of the dollar on U.S. exports. However, given the trade environment in which the U.S. is operating, I do believe the Bank appears to have been responsive to the Congressional mandate.

Q. (2) The Bank currently has a mandate to set aside 8% of its direct credit funds for small business this year and 10% next year. As a small businessman, what do you think the Bank could do better to serve the interest of small business?

A. (2) Small business tends to be intimidated by international trade, currency problems, cultural deficiencies and bureaucracy. Consequently, I believe the Bank must attempt the following:

A. Improve the marketing, education and awareness of the Bank's programs to small business.

B. Improve the distribution system for the Bank's programs so as to facilitate small business participation.

C. Simplify and shorten the process of participation in the Bank's programs.

D. Expand the Bank's programs to fit small business needs such as service activities, working capital guarantees, leasing, etc.

Q. (3) Obviously, 10% of $1.8 billion is far less than 10% of $3.9 billion. Does it worry you that the Bank is likely to have far less direct credit available from which to serve small business needs?

A. (3) I am somewhat concerned about availability of competitive credit for small business if direct credit is substantially reduced or eliminated next year. The size of small business loans, the distribution system that services small business, the fixed rate nature of the loans, and the impact of the capital to asset ratios on small business banks may all affect the willingness of the banking system to participate in small business credits.

Q. (4) You have had a chance to look at the so-called I-Match Program, as proposed by the Administration. What sorts of problems do you anticipate in implementing a program of that sort? What do you say to those who argue that this is a mere cosmetic change? That it is more costly? Or that it will have the same effect on the credit markets as the direct credit program it replaces?

A. (4) I believe availability of credit could be a problem under the I-Match Program due to the fixed nature of the credit and potential problems of transferability of the loans, impacting the capital asset ratios of the Bank. If the application process is identical as is stated, I believe the program will work but will have to be looked at and, as problems occur, fine tuned. Although the I-Match Program appears to be cosmetic from the Federal Budget point of view, in my opinion, it is more than a cosmetic change. If the dollar becomes weaker and the credit markets more competitive, the "buy down" subsidy will escalate dramatically, assuming that the Bank stays competitive in the world markets. The I-Match Program will also visably identify the subsidies provided under competitive programs and, as previously stated, there may be availability problems, particularly in the areas of small business. In my opinion, there is no question that the I-Match Program will be more costly and that it will have, as previously stated, a changing effect on the credit markets as the direct credit program is replaced.

Q. (5) AID has indicated its unwillingness to participate in mixed credits. Do you believe that there are cases when the Bank should match credit competition on its own?

A. (5) I do believe there are isolated cases when the Bank should match credit competition on its own when AID is unwilling to participate in mixed credits. If the United States is to stay competitive in the world credit markets and reach a goal of "fair trade", there are times when it must selectively match a "mixed credit" program.

Q. (6) There may be occasions when the Bank is asked to back a project that may appear a little risky, financially, but which may have important foreign policy implications, for example, a loan to Egypt. What would be your recommendation for Bank action in these cases?

A. (6) Since I do not have the details, I am unable to comment on the loan to Egypt, but again, I do feel there may be isolated cases where the Bank should at least weigh risk against foreign policy implications. In my opinion, the first charge of the Bank should be a reasonable assurance of repayment and the

A. (6) Bank should look at exposure of its loan portfolio, particularly in a country and/or an area. Even though credit competitiveness and repayment should be priority for the Bank, I believe it is unreasonable to expect the Bank, in certain isolated instances, to be removed from foreign policy implications, although I do believe they should be limited.

Q. (7) You're a businessman. Business can be a rough and tumble world. Some say that the French and the Japanese approach international trade as businessmen eager to grab export sales while the United States approaches international trade as economists, blindly following the rules of trade theory. How do you feel we should conduct our affairs with our trade competitors in order to bring about a negotiated end to officially subsidized export credits?

A. (7) As countries like Japan expand their exports, and accelerate the trade in capital imbalances, it is essential in my opinion that the United States demand "fair trade" as well as "free trade". Japan now has five of the world's top ten banks and is tending to finance the rising portion of our budget deficit. Its technology is becoming critical for our defense. If we are ever going to reach a negotiated end to officially subsidized export credits, in my opinion, there are times when it is essential that we "fight fire with fire" and I would do everything possible to protect foreign markets for U.S. exports.

RESPONSE TO WRITTEN QUESTIONS OF SENATOR SASSER

FROM

RICHARD H. HUGHES

Q. WHEN THIS COMMITTEE WAS REVIEWING THE EXPORT-IMPORT BANK'S CHARTER IN MAY OF 1983, IT WAS BROUGHT TO OUR ATTENTION BY THE U.S. INSURANCE COMMUNITY THAT U.S. INSURERS ARE, ON A REGULAR BASIS, PREVENTED FROM EVEN COMPETING FOR INSURANCE BUSINESS RESULTING FROM EXIMBANK-FINANCED SALES AND PROJECTS. A LIST WAS SUBMITTED TO THE COMMITTEE INDICATING THAT RESTRICTIONS AND MARKET PRACTICES USED BY EXIMBANK'S CLIENT COUNTRIES RESULT IN A FORM OF DISCRIMINATION AGAINST U.S. INSURERS WHEN THEY ATTEMPT TO COMPETE FOR EXIMBANK-RELATED BUSINESS.

IN AN EFFORT TO ALLOW THE BANK TO USE ITS JUDGMENT AND LEVERAGE TO ASSURE U.S. INSURERS THE RIGHT TO COMPETE, COMPROMISE LANGUAGE WAS PASSED REQUESTING THE BANK TO WORK WITH OTHER APPROPRIATE AGENCIES, SUCH AS THE U.S. TRADE REPRESENTATIVE AND THE COMMERCE DEPARTMENT, AS WELL AS WITH U.S. INSURERS, TO BRING ABOUT A SOLUTION TO THIS PROBLEM. CLEARLY, THE INTENT OF CONGRESS IS FOR SOME KIND OF PROCEDURES TO BE ESTABLISHED TO FACILITATE FAIR COMPETITION IN INSURING EXIMBANK-FINANCED SALES AND PROJECTS.

IF IT BECOMES CLEAR THAT THE EFFORTS BY BOTH CONGRESS AND THE BANK ARE NOT PRODUCING MEANINGFUL RESULTS, ARE YOU PREPARED TO WORK WITH US TO DEVELOP APPROPRIATE PROCEDURES TO REQUIRE THAT U.S. INSURERS BE AT LEAST GIVEN THE RIGHT TO COMPETE FOR THIS BUSINESS?

A. YES.

Q. ALSO IN THE JOINT ECONOMIC COMMITTEE YESTERDAY, A REPORT WAS SUBMITTED BY DATA RESOURCES, INC., WHICH INCLUDED A LIST OF INDUSTRIES THAT HAVE DROPPED FROM A POSITIVE TRADE BALANCE IN 1980 TO A SUBSTANTIAL DEFICIT IN 1984. THE LIST INCLUDED SEMICONDUCTORS, ELECTRONIC COMPONENTS, PHOTOGRAPHIC EQUIPMENT, GENERAL AVIATION AIRCRAFT, TEXTILES, TELEPHONE EQUIPMENT, TOO AND DIE MACHINE TOOLS, AND COMPUTER-CONTROLLED MACHINING CENTERS. CLEARLY, THE TRENDS REPRESENT A GROWING THREAT TO AMERICAN JOBS.

YET, THE ADMINISTRATION'S BUDGET PROPOSES TO ELIMINATE THE DIRECT CREDIT PROGRAM OF THE EXPORT-IMPORT BANK AND REPLACE IT WITH WHAT IS KNOWN AS AN INTEREST RATE BUY-DOWN. YOU ADVISED SENATOR PROXMIRE, I BELIEVE, THAT YOU COULD FORESEE SOME TECHNICAL PROBLEMS WITH THE INTEREST RATE BUY-DOWN APPROACH. WOULD YOU EXPAND ON THAT FOR THE COMMITTEE?

A. AS PREVIOUSLY STATED, I BELIEVE THE INTEREST RATE BUY-DOWN APPROACH COULD AFFECT AVAILABILITY, PARTICULARLY IN SMALL BUSINESS AND COULD SEVERELY IMPACT THE COMPETITIVE NATURE OF OUR CREDIT FINANCING OF EXPORTS, IF THE DOLLAR WEAKENS AND THE COMPETITIVE SUBSIDIES DRAMATICALLY INCREASE. AS A NEW PROGRAM, IN MY OPINION, THE PROGRAM WILL HAVE TO BE FINE TUNED AS IT EVOLVES AND IT WILL BE ESSENTIAL TO SEE THAT THE PROGRAM ACCOMPLISHES THE OBJECTIVES OF THE BANK, I.E., TO PROVIDE COMPETITIVE FINANCING FOR U.S. EXPORTS AND TO PROTECT AMERICAN JOBS.

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Hughes (LAST) Richard (FIRST) H. (OTHER)

Position to which nominated: Member of Board of Directors Export-Import Bank of U.S. Date of nomination: Original Nom.-10-3-84*

Date of birth: 9 (DAY) 10 (MONTH) 32 (YEAR) Place of birth: Tulsa, Oklahoma

Marital status: Married Full name of spouse: Elizabeth Ann Hughes

Name and ages of children: Deborah Renee Hughes Age 28

Leslie Hughes Smith Age 25

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Horace Mann Jr. High	1945-1947	Graduated	1947
Central High School	1948-1950	Graduated	1950
Yale University	1951-1954	B.A. Degree	1954
Harvard Bus. School	1957-1959	MBA Degree	1959

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

1963 - Tulsa's and Oklahoma's Outstanding Man of the Year Award from Jaycees

1966 - Made Honorary Chairman of Board of Junior Achievement Club after implementing first Club in Tulsa.

*Renominated on 1-3-85 for a term to expire 1-20-85.
President announced intention to nominate on 1-4-85 for a term to expire 1-20-87.
January 9, 1985, the President nominated for a two year term commencing 1/21/85 to 1/20/87.

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office Held (if any)	Dates
See Attached Schedule #1		

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

1959-60	Equidyne Industries, Inc.	President	Tulsa, OK
1960-70	Pepsi-Cola Bottling Co./ Beverage Products Corp.	Chrm/CEO	Tulsa, OK
1970-80	Florafax International, Inc.	Chrm/CEO	Tulsa, OK
1975-Pres.	Hinderliter Industries, Inc.	Chrm/CEO	Tulsa, OK

RICHARD H. HUGHES

Schedule #1

MEMBERSHIPS & OFFICES

Director Positions	Dates
Hinderliter Industries, Inc.	1966 - Present
Equidyne Industries, Inc.	1959 - Present
The Telex Corporation	1965 - Present
Beverage Products Corporation	1960 - Present
Educom Corporation	1979 - Present
Trustee/Sierra Real Estate Equity Trust	1981 - Present
Federal Home Loan Bank of Topeka	1978 - Present
American Business Conference	1982 - Present
Regional Advisory Board/Institute of International Education	1984 - Present
Florafax International, Inc.	1970 - 1980
Bray Lines, Inc.	1979 - 1983
National Park Foundation	1978 - 1984
National Bank of Commerce	1966 - 1968
Republic Bank of Oklahoma City	1979 - 1980
Liberty Investors Life Insurance Company	1972 - 1981
Pacific Alliance Corp. of Australia	1969 - 1973
1980 Commission on Future of the South	1980 - 1981
Federal Home Loan Bank Advisory Board	1978 - 1979
Industries For Tulsa	1978 - 1979
Christian Services Board/Fifth Presbyterian Church	1960 - 1962
Tulsa Chamber of Commerce/Treasurer & Member of the Board	1964 - 1966
Mabee Red Shield Club	1960's
Salvation Army Board	1960's
Baruch College of Advanced Management Programs of New York/Advisory Board	1974 - 1978
Oklahoma Crime Commission	1968 - 1969
Indian Nation's Council of Boy Scouts of America/Executive Board	1960's
College of Business Administration of Tulsa University/Dean's Advisory Council	Approx. 1976
Young President's Organization/Board & International YPO President	1966 - 1975

Organizational Memberships	Position	Dates
Member of the United States Circuit Judge's Nominating Commission (10th Circuit Panel)	Member	1977 - 1979
Young President's Organization	Member	1961 - 1983
Masons	Member	1967 - Present
Akdar Shriners	Member	1968 - Present
Royal Order of Jesters	Member	1982 - Present

Richard H. Hughes
Schedule #1

Organizational Memberships	Position	Dates
Southern Hills Country Club	Member	1961 - Present
Junior Achievement	Founder/ 1st President/ Honorary Chrm	1966 - Present
Tulsa Psychiatriac Foundation	Member	1965 - 1968
Yale Club of Tulsa/President	Member	1956 - Present
Tulsa Philharmonic Society	Member/Treas.	1965 - 1968
First Presbyterian Church	Member	1960 - Present
Visiting Professor on Entrepreneurial Management/School of Business of Oral Roberts University		1981 - 1982
Alumni - Beta Theta Pi	Member	1955 - Present

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

Member of Interstate Oil Compact Commission

Member of 1980 Commission on the Future of the South

Federal Home Loan Bank Advisory Council

Federal Home Loan Bank of Topeka/Member of Board

National Park Foundation - Member of Board

U.S. Air Force - Officer

Member of Board/Chairman - City of Tulsa/Rogers County Port Authority

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

None

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Member of Democratic Party

Member of the Business Alliance for Reagan/Bush

Finance Chrm for Norma Eagleton for Tulsa City Finance Comm.

Co-Chrm for Patty Eaton for Water & Sewer Comm. - Tulsa, OK.

Member of National Finance Council for John Glenn Campaign

N.E. Okla. Finance Chrm - Jimmy Carter for President

Member of Sponsoring Comm. for Wes Watkins for U.S. Rep.

Co-Chrm of Oklahoma For Fair Play - James R. Jones

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

~See attached Schedule of Political Contributions

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

See Schedule #2

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

yes

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

Nothing specific, but may well return to Hinderliter Industries, Inc. or Equidyne Industries, Inc. in an executive capacity.

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

SCHEDULE OF POLITICAL CONTRIBUTIONS

David Boren		
David Boren for Senate:	3-17-78	693.53
	3-28-78	335.45
	3-28-78	60.00
	10-14-78	1000.00
	9-28-81	225.00
	11-11-81	2000.00
	11-18-83	250.00
George Nigh		
George Nigh for Governor:	8-31-78	1000.00
	8-16-78	1000.00
	9-27-78	20.00
	5-12-81	400.00
	6-17-81	1000.00
Democratic National Committee:	6-20-78	500.00
Jimmy Carter		
Jimmy Carter for President:	3-05-79	250.00
	8-16-76	816.68(Wife)
Carter/Mondale Committee		
Carter/Mondale Presidential Ticket:	12-04-79	100.00
Patty Eaton		
Patty Eaton for City Commissioner:	12-13-79	500.00
	3-28-80	1000.00
	4-04-80	59.09
	1-28-82	200.00
	1980	500.00(Wife)
	11-23-83	200.00
	1-28-82	200.00
Robert Kerr		
Robert Kerr for Senate:	4-04-80	567.47
	6-30-80	400.00
James R. Jones		
James R. Jones for Congress	12-02-77	1000.00
	6-06-80	1000.00
	11-17-81	200.00
Thomas Seymour		
Thomas Seymour for Mayor:	3-18-82	500.00
Rubin Askew		
Rubin Askew for President:	2-25-82	250.00
	2-10-83	250.00

Schedule of Political Contributions
(Cont'd)

Reagan/Bush		
Reagan/Bush Presidential Ticket:	10- -82	500.00(Wife)
John Glenn		
John Glenn for President:	2-10-83	250.00
	11-22-83	1010.25
Richard Thornburgh		
Richard Thornburgh for Governor:	8-21-82	500.00
	12-06-82	500.00
Max Baucus		
Max Baucus for Senate:	10-25-84	500.00
Exon for Senate:	10-25-84	500.00

RICHARD H. HUGHES

Schedule #2

QUALIFICATIONS

I believe my training, background and experiences over the past twenty-five years gives me a solid foundation to serve on the Board of the Export-Import Bank, and qualifies me to contribute to the difficult challenges facing the Bank.

My twenty-five years of experience in small business has exposed me to a variety of companies from stellite tracking antenna manufacturing to soft drink sales and from floral marketing and financing to industrial equipment manufacturing. As President and/or Chief Executive Officer of these companies, I have operated a company in Australia and negotiated one of the early purchase contracts with the China Arts and Crafts Corporation of the People's Republic of China. My present company, Hinderliter Industries, Inc., uses the Eximbank's FCIA programs and aggressively exports a variety of products, including oil equipment, compressors and pumps, and automotive component parts. For over ten years, I have been on the Board of Telex Corporation and Chaired the Audit Committee of this company who actively exports computer peripherals and terminals.

As the International President of the Young President's Organ-ization, I committed the organization to international development and traveled over 300,000 miles working with governments and international businessmen to form YPO Chapters. During that time, I believe I gained a firm understanding of international business and cultures. In addition, as a member of the Board of the American Business Conference, I participated in Mr. George Hatsopoulos' Cost of Capital Study and I believe I clearly understand the need for U.S. businesses to be more competitive in this area.

During my business career, I have served as a member of the Board of two commercial banks. Of particular significance, since 1978, I have been a member of the Board of the Federal Home Loan Bank of Topeka and Chaired that $4 billion bank's Budget and Pricing Committee, thus, I bring my experience in financial and credit policies, pricing and budgeting, along with my understanding of many of the new instruments available to banking institutions.

My knowledge of exporting comes from personal experience in the import and export field. I believe my background in small business can assist the Bank in communicating the opportunities and needs for small business to actively compete in the world markets. I appreciate the opportunity to present my qualifications to serve as a member of the Board of the Export-Import Bank before the United States Senate.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated

See Schedule #3

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

Equidyne Industries, Inc., which is controlled by myself and my family, owns a 61% interest in Hinderliter Industries, Inc. a public company listed on the American Stock Exchange. Hinderliter Industries, Inc. uses the FCIA Programs of the Eximbank and may, in the future, participate in other Eximbank programs. I intend to disqualify myself from consideration or vote on any transaction affecting any company in which I have a financial interest or in which there might be any potential conflict of interest.

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

See answer to #2 above with respect to Hinderliter Industries use of FCIA/Eximbank programs.

RICHARD H. HUGHES

Schedule #3

POTENTIAL CONFLICTS
OF INTEREST

1. Financial Arrangements: Hinderliter Industries, Inc. will honor Board policy with a payment for past service benefits by Hinderliter beginning one month after Senate confirmation, and continuing for a total of 36 months at a monthly rate of $11,750.00. (Attached is a letter from the Office of Government Ethics referencing this matter, dated December 24, 1984.) I will retain retirement benefits from Hinderliter's Pension and Profit Sharing Plans.

United States Government
MEMORANDUM

Office of Government Ethics

Subject: Application of 18 U.S.C. § 209 - Nominee - Richard H. Hughes

From: Gary Davis
Staff Attorney

To: Larry Garrett
Associate Counsel to the President

This responds to your informal request for my views concerning the application of the provisions of 18 U.S.C. § 209 to arrangements involving Richard H. Hughes, who is currently under consideration for nomination to the Board of Directors of the Export-Import Bank.

You have provided for my review a copy of an employment agreement dated April 1, 1982 between Hinderliter Energy Equipment Corp. and Richard H. Hughes, in his capacity as Chairman of the Board and Chief Executive Officer of the Company.

I have also reviewed a "draft" Statement of Policy regarding Hinderliter Industries Inc.'s Officers termination compensation which you submitted with the above-referenced employment agreement and considered your representations that Hinderliter Industries, Inc. is the successor Corporation of Hinderliter Energy Equipment Corp. (which resulted in a name change only).

I am of the opinion that the proposed benefits derived by Mr. Hughes as a result of the adoption of the policy statement would not violate the provisions of 18 U.S.C. § 209.

As you are aware, in the past we have ruled that federal law does not prohibit severance pay for past services. In weighing the appropriateness of such payments, we have always sought to ascertain the intent of the parties involved. Such indicia of intent as the personnel practices of the Company, nature, size, stated purpose of the award and the expressed nature of the services performed by the departing executive have always been considered.

In arriving at my conclusion in this case, I have considered the fact that the policy concerning termination compensation is applicable to all officers of Hinderliter Industries Inc., in recognition of past services rendered to the Company. Further, under the provisions of Paragraph 5(c) of the April 1, 1982 employment agreement, Mr. Hughes is entitled to such other benefits as may be provided by the Company to its executives in accordance with subsequently adopted polices.

The material which you have provided has been reviewed by the Director and Chief Counsel of this Office and they both concur in my conclusion.

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

I intend to disqualify myself from consideration or vote on any transaction affecting any company in which I have a financial interest or in which I feel there may be any potential conflict of interest.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

See Schedule #4

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

RICHARD H. HUGHES

Schedule #4

CIVIL, CRIMINAL AND
INVESTIGATORY ACTIONS

1. Hibernia National Bank in New Orleans, Plantiff vs. T & C Leasing Company, an Oklahoma corporation, Casualty Management Company, an Oklahoma corporation, B. R. Hartgrove and Richard H. Hughes, Defendants: Mr. Hughes was one of several guarantors on an equipment note which was in dispute. This case is presently in the process of being settled with equipment being liquated. The only liability remaining would be any deficiency after liquidation . Amount of deficiency would be minimal.

2. Professional Investors Life Insurance Co. vs. Richard H. Hughes and Town & Country, Inc.: This is a real estate foreclosure lawsuit whereby property was sold by Mr. Hughes to Town and Country, Inc. Town & Country subsequently went into bankruptcy and the building is presently tied up in legal proceedings. The case is presently in the process of being settled and there should be no liability remaining to Mr. Hughes once settled.

3. Richard H. Hughes and Elizabeth A. Hughes, Petitioners vs. Commissioner of Internal Revenue, Respondent: This matter involved personal income taxes of Richard H. and Elizabeth A. Hughes for the taxable years, 1973 and 1976. The issue involved the sale of Mr. Hughes' partnership interest in SouthBank Development Company to his wholly owned corporation, Equidyne Industries, Inc. The Internal Revenue Service took the position that the partnership interest had a value substantially less than the actual price for which the partnership interest was sold. The Internal Revenue Service then alleged that the difference between the actual value of the purchase price constituted a constructive dividend to Mr. Hughes from Equidyne Industries, Inc. The basic determination of the issue depended upon the value of the land which the Partnership held.

   The settlement was negotiated with the Internal Revenue Service resulting in a decrease in the amount of constructive dividend which Mr. Hughes was alleged to have received. At no point in this matter was there any allegation of actual wrong-doing by Mr. Hughes; the matter simply involved a difference in opinion regarding the value of land which the partnership owned. This value was supported on behalf of the taxpayer by qualified appraisals; the Internal Revenue Service also had their appraisers. The settlement reflected a compromise on behalf of the Internal Revenue Service and the taxpayer regarding the value of this land.

   Settlements documents have been filed with the United States Tax Court disposing of this matter and this case is considered closed. (Attached please find a copy the United States Tax Court Decision).

UNITED STATES TAX COURT

RICHARD H. AND ELIZABETH A. HUGHES, Petitioners,	)	
v.	)	Docket No. 18663-83
COMMISSIONER OF INTERNAL REVENUE, Respondent.	)	

DECISION

Pursuant to agreement of the parties in the above-entitled cause, it is

ORDERED AND DECIDED: That there are deficiencies in income taxes due from the petitioners for the taxable years 1973 and 1976, in the amounts of $937.00 and $25,023.00, respectively.

(Signed) WILLIAM A. GOSS

Judge.

Entered: NOV 20 1984

* * * * *

It is hereby stipulated that the Court may enter the foregoing decision in the above-entitled cause.

It is further stipulated that, effective upon the entry of this decision by the Court, petitioners waive the restrictions contained in section 6213(a) of the Internal Revenue Code of 1954 prohibiting assessment and collection of the deficiencies (plus statutory interest) until the decision of the Tax Court has become final.

FRED T. GOLDBERG, JR.
Chief Counsel
Internal Revenue Service

By: (Signed) Walter O. Johnson

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Date: NOV 8 1984